



**MCI Communications
Corporation**

1801 Pennsylvania Avenue, NW
Washington, DC 20006

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January 21, 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

William S. Caton
Acting Secretary
Federal Communications Commission
1919 M St. NW
Washington, D.C. 20554

Re: EXPARTE in MCI Merger of MCI Communications Corp. and British
Telecommunications PLC, GN 96-245

Dear Mr. Caton:

On January 21, James Graf of BTNA and I met with the following Commission staff to discuss the proposed merger of MCI and BT: John Berresford, Doron Fertig, Jamie Hedlund, Joanna Lowry, Kerry Murray, Robert Pepper, Michael Pryor, Larry Spiwack, and Mark Uretsky.

At the meeting, MCI discussed the attached document reviewing the state of competition in the US domestic market and the benefits of the proposed merger with BT. In addition, we discussed competition policy in the U.K. market and contrasted it with competition policy in the U.S.

Sincerely,

Mary L. Brown
Mary L. Brown

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The BT-MCI MERGER

MCI-BT Merger: Consumers Win

- Increases competition in US local markets
- Increases competition in international markets

The BT-MCI MERGER

Status of US Local Competition

- **US local exchange market remains a monopoly**
- **Potential local competitors:**
 - **LECs: merging not competing**
 - **Cable companies: withdrawing**
 - **Wireless: not yet viable**
 - **Long distance industry: MCI proven competitor**

The BT-MCI MERGER

Premature Long Distance Entry Harms Competition

- Ameritech/Michigan
 - No true competition
 - RBOC controls essential bottleneck facilities
 - Does not meet “competitive checklist”

The BT-MCI MERGER

Arbitrations Have Not Resolved All Issues

- Many rates and terms are only interim
- Order entry & interface issues not yet settled
- Lack of IntraLATA toll dialing parity

The BT-MCI MERGER

Access Rates Far Exceed Cost

- FCC reports that 40 cents of every long distance dollar goes to cover access
- Average long distance consumers pay about \$6 a month too much per line for interstate access

The BT-MCI MERGER

Long Distance Customers Have Benefitted From Access Reductions and Competition

- **FCC reports that toll rates declined twice as much as access costs from 1992 to 1995**
- **In 1995 customers exercised their right to choose LD companies 37.5 million times**
- **MCI pledge**

The BT-MCI MERGER

Long Distance Rates Have Come Down

- **FCC reports that domestic revenue per minute declined by just over 12 percent from 1992 to 1995**
- **Promotions and plans helped push down residential long distance rates more than 4 percent between 1995 and 1996, after taking inflation into account**

The BT-MCI MERGER

MCI Leads March into Local Markets

- **\$1 billion local investment as of YE 1996**
- **\$700 million investment planned in 1997**
- **Competitive local services offered on MCI facilities & through resale**
- **Over 2,500 route miles of fiber deployed**
- **Switches installed in 17 cities nationwide**
- **Offers local service in 25 markets by March 97**

The BT-MCI MERGER

BT/MCI Merger = Opportunity

- **Financial strength and stability**
- **High growth US markets:**
 - **Local**
 - **Internet**
 - **Information technologies**
- **Global network platform**
- **New and integrated end-to-end services**